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Facilitating Effective Performance Appraisals:
The Role of Employee Commitment and
Organizational Climate

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Previous research on performance appraisals has primarily concerned the reliability and validity of measurement instruments and techniques. Very little research has dealt with the milieu where the actual performance appraisal occurs. In order to help remedy this situation, a conceptual model is presented which highlights the interactive relationships among employee commitment, organizational climate, and performance appraisal systems. The model addresses four key issues: (1) what are the organization's objectives in the
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20. Abstract (continued)
appraisal system?; 2) what conditions facilitate or inhibit the accom-
plishment of these objectives?; 3) how do employee commitment and organi-
zational climate affect these conditions?; and 4) what reciprocal rela-
tionships appear likely?

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When one reads the literature on performance appraisal systems in organizations, it becomes readily apparent that we have learned a great deal concerning measurement techniques and very little concerning the milieu in which such measurement takes place. For example, while we have considerable information about the strengths and weaknesses of behavioral observation scales, we know much less about the conditions within the workplace that facilitate or inhibit the effective use of such scales. In order to help remedy this situation, this paper will attempt to examine one aspect of the contextual factors influencing appraisal systems. We shall do this by considering the interactive relationships between employee commitment, organizational climate, and appraisal systems. This will be done by proposing a general conceptual model highlighting such interrelationships. Simply put, it will be argued here that commitment and climate influence performance appraisal systems by influencing several factors that facilitate the effective use of such systems. Hence, our emphasis here will be on considering effective performance appraisals as an outcome variable. It should be emphasized that throughout this paper we will rely heavily on argument and speculation due to the dearth of empirical evidence bearing on the topic.

Our paper will address four key issues. First, we will consider briefly the primary objectives of appraisal systems from the organization's standpoint. Next, we will speculate concerning certain conditions that facilitate or inhibit these outcomes. Based on this, we shall consider the manner in which employee commitment and organizational climate impact upon these facilitating conditions. Finally, we will consider any reciprocal relationships, or feedback loops, that impinge on the model. In all, it is hoped that this paper

will be considered a series of hypotheses to guide subsequent research in order to further clarify our knowledge of this important topic.

Outcomes of Performance Appraisal Systems

To set the stage for this paper, we must first consider what organizations hope to accomplish with performance appraisal systems. This issue really addresses the criterion problem. How do we know when an appraisal system is indeed effective? What are we looking for in such systems?

To answer this question, we shall draw upon existing industry practice and academic opinion and suggest that effective performance appraisal systems are those systems that facilitate employee evaluation, guidance and development, and motivation. Employee _evaluation_ focuses on assessing the extent to which employees contribute to organizational goals through organizationally-defined tasks. Evaluation provides a basis for assessing and rewarding employee worth to the organization. Employee _guidance and development_ refers to the extent to which the appraisal system is successful in highlighting opportunities for employee growth and development, perhaps through such vehicles as training or counseling programs. Finally, employee _motivation_ in the current context refers to the extent to which the appraisal system helps to energize, direct, and sustain human behavior in a direction desired by management. When taken together, these three criteria represent what we consider to be the three primary indicators of the extent to which a performance appraisal system is effective.

Conditions Facilitating Effective Appraisal Systems

If appraisal systems are considered effective to the extent that they achieve these three goals, it is logical to ask what conditions in the work

situation facilitate or inhibit the achievement of these three goals. Draw-
ing upon literature from various aspects of organizational psychology and
management, we posit that at least six facilitating conditions can be iden-
tified. These include the following:

1. Communication. Clearly, performance appraisal systems are more ef-
fective to the extent that they provide useful and valid information concern-
ing employee progress on tasks (McCormick & Ilgen, 1980). Such information
assists with all three outcomes of evaluation, guidance, and motivation.
Hence, the more ways can be found to increase information flow between supe-
riors and subordinates, the greater the likelihood in most cases that the de-
sired outcomes will be enhanced.

2. Legitimacy and validity. It would appear that outcome variables are
enhanced to the extent that employees accept the appraisal system and possess
a belief in the integrity and legitimacy of the system. This legitimacy is of
course related to the degree to which employees believe the appraisals are valid
and reliable indicators of performance. We know, for example, from the litera-
ture on employee acceptance of goals that when employees accept task goals,
they are far more likely to work toward their accomplishment (Locke et al., 1981;
Steers & Porter, 1974). This same phenomenon can be said to apply to appraisal
systems. That is, where employees feel that the organization has a right to
implement a particular appraisal system, and when they further believe that the
system is valid, we would expect such a system to have a sizeable impact on sub-
sequent motivation and guidance. Moreover, under such conditions, employees
may be more likely to accept the particular evaluation they receive. Where
system legitimacy or content validity is not clearly established, it would be
far easier for employees to dismiss or discount their evaluation (e.g., attri-
buting their evaluation more to politics than performance).

3. <u>Instrumentality</u>. The third facilitating condition focuses on the extent to which the appraisal system is seen by employees as being instrumental for the receipt of desired rewards. Simply put, we would expect employees to pay more attention to appraisals when they are associated with rewards (Vroom, 1964). For example, if appraisal systems aim to increase employee motivation, wouldn't it be wise to insure that desired rewards were in some way tied to the appraisal? The same holds true for employee guidance and development. Such a goal would likely be more easily achieved if employees saw a benefit to such development.

4. <u>Job standards and expectations</u>. Another factor capable of influencing the effectiveness of a performance appraisal system is the standards and expectations associated with the assigned job. Where job standards and expectations are highly specified and clear, we would expect evaluation to be easier; both superiors and subordinates would know what was expected. Moreover, clear job standards can serve to reduce employee search behavior and could in some cases facilitate development goals by identifying discrepancies between employee skill levels and job requirements. It has often been argued, for example, that a primary advantage of goal-setting programs such as MBO is their increased specificity of task requirements which reduces employee search behavior and increases task-relevant effort (Locke et al., 1981).

5. <u>Participation</u>. It has been suggested by some that allowing employees some participation in work-related events serves to increase their ego involvement in achieving successful outcomes on those events (Dachler & Wilpert, 1978; Vroom, 1960). Empirical support for this assertion is widespread though not universal (Steers & Porter, 1974). Hence, an argument can be made that increasing employee participation in the design and implementation of an appraisal

system should to at least some extent increase its effectiveness, largely through increasing employee acceptance and support of the system.

6. <u>Managerial support</u>. In addition to acceptance and legitimacy on the part of employees, an effective performance appraisal system is apparently also enhanced when it clearly receives support from top management (Ivancevich, 1972). A major criticism leveled against many appraisal systems is that top management simply ignores them or, more often, goes through the motions but doesn't abide by the results. In a survey of 216 organizations, Locher and Teel (1977) found that while 71% of those surveyed claimed to use performance appraisals for purposes of compensation, only 55% used them for facilitating performance improvement and only 9% used them for identifying training and development needs. Since these are self-report data, the actual percentages may be much lower. If employees at all levels clearly understood that the appraisal system had the active support of top management — and not just the personnel department — perhaps such systems would be taken more seriously by all.

Hence, while each of these six facilitating conditions would not be expected to improve the effectiveness of all aspects of an appraisal system at all times, we would expect that each would play an important role under certain circumstances in facilitating the more effective use of appraisals. Based on this assumption, we come now to the question of how employee commitment and organizational climate influence these six facilitating conditions.

Role of Employee Commitment

The question we wish to pose in this section is how employee commitment to an organization can influence the conditions that are believed to facilitate

effective performance appraisals. As such, our concern with the topic of
commitment is rather narrow in scope. A more detailed consideration of com-
mitment can be found elsewhere (Mowday, Porter, & Steers, 1982; Mowday, Steers,
& Porter, 1979; Steers, 1977). For our purposes, we will define employee com-
mitment as the relative strength of an individual's identification with and
involvement in a particular organization (Porter, Steers, Mowday, & Boulian,
1974). Following from both the theoretical and empirical literature on com-
mitment (summarized in Mowday et al., 1982), we can conclude that highly com-
mitted employees would generally be characterized by the following attributes
when compared to less committed employees:

1. Highly committed employees generally have a strong belief in and
acceptance of organizational goals and values (Porter & Smith, 1970).

2. Highly committed employees are often found to exert considerable
effort on a job, often leading to increased job performance (Steers, 1977;
Porter et al., 1976).

3. Highly committed employees are often characterized as having higher
levels of social involvement in organizational activities, as well as higher
investments in the organization and its success (Sheldon, 1971).

4. Highly committed employees often exhibit better attendance and prompt-
ness (Angle & Perry, 1981; Steers, 1977; Mowday et al., 1979).

5. Finally, highly committed employees as a group consistently demon-
strate superior levels of retention and tenure in the organization (Koch &
Steers, 1978; Mowday et al., 1979; Steers, 1977; Porter et al., 1974, 1976;
Hom et al., 1979, Angle & Perry, 1981).

Given these characteristics of highly committed employees, how should
employee commitment influence the specified conditions that are believed to
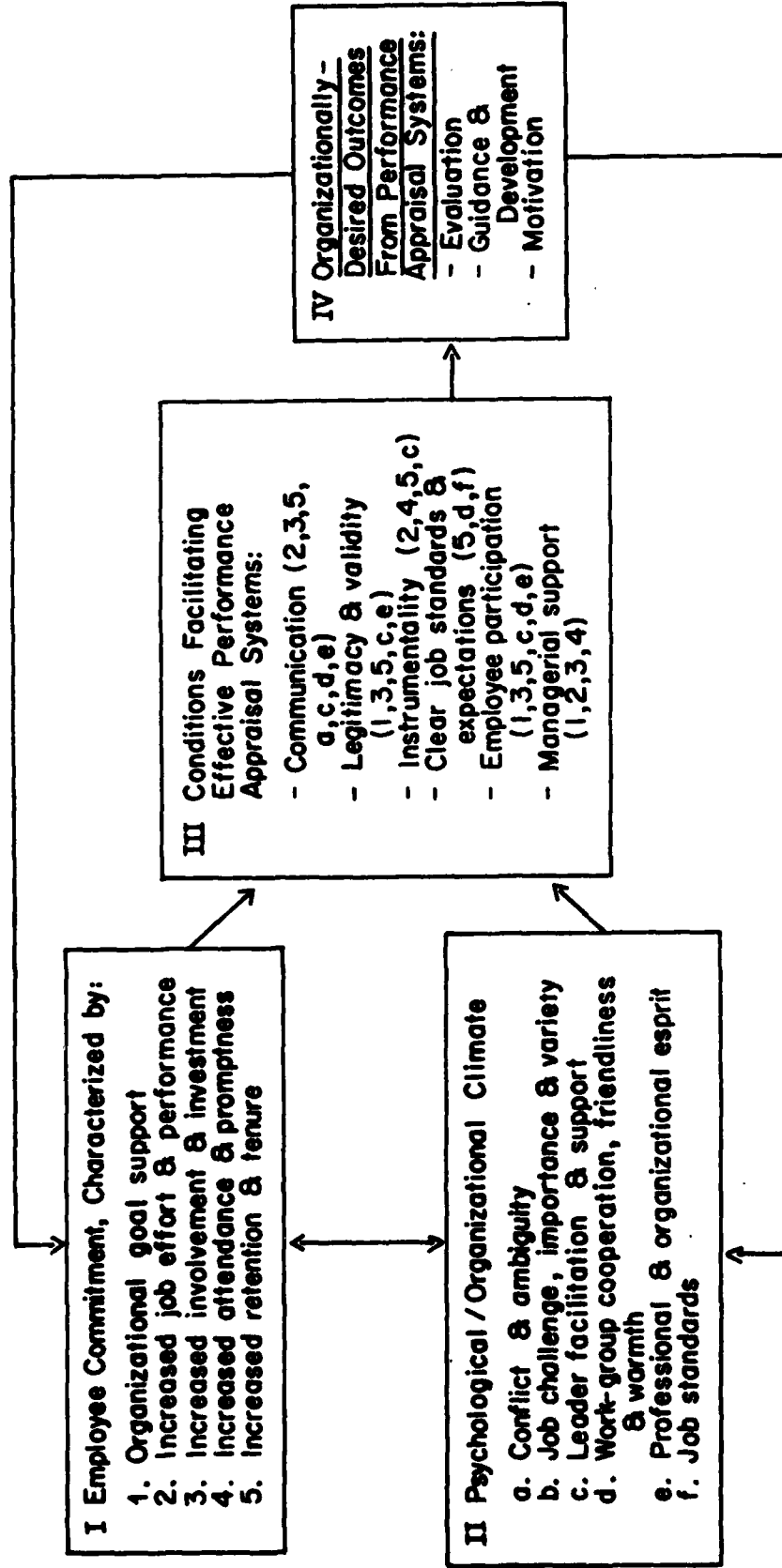
facilitate effective appraisal systems? To answer this, let us examine each
of the facilitating conditions sequentially. To begin with, as shown in Ex-
hibit 1, we would suggest that communication between superior and subordi-
nates would be enhanced in many instances when employees are more concerned
about putting forth effort on the job and trying to make things work (#2 in
box I). In addition, communication may be facilitated to the extent that
employees are more socially involved and feel they have more investments in
organizationally-relevant outcomes (#3 in box I; Sheldon, 1971). Employee
retention and tenure (#5) may also be relevant here to the extent that in-

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Insert Exhibit 1 About Here
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creased tenure allows employees to learn more about both the formal and in-
formal communication channels as well as the personalities involved in the
communication episodes (Rogers & Rogers, 1976).

The legitimacy of the appraisal system can be enhanced to the extent
that employees identify with the goals and values of the organization (#1)
and feel the appraisal system is a useful vehicle for goal attainment (Steers,
1977). Legitimacy can also be enhanced in some cases through increased social
involvement (#3) through which employees come to know the persons involved in
the appraisal reviews, as well as their reasons for such reviews. Perhaps a
major problem here with achieving legitimacy for appraisal systems is an ig-
norance by many employees of the rationale behind such systems or the reasons
for their existence. Increased social interaction between the parties to such
a system may help alleviate some of this apprehension (Latham & Wexley, 1981).
Finally, in some instances, increased tenure in the organization (#5) may help
a system gain legitimacy as long-term employees see the record (and consequences)
of previous appraisals and conclude — hopefully — that it represents a useful

Exhibit I. Hypothesized Relationships Between Employee Commitment, Organizational Climate, and Outcomes of Performance Appraisal Systems

IV Organizationally-Desired Outcomes From Performance Appraisal Systems:
- Evaluation
- Guidance & Development
- Motivation

III Conditions Facilitating Effective Performance Appraisal Systems:
- Communication (2,3,5, a,c,d,e)
- Legitimacy & validity (1,3,5,c,e)
- Instrumentality (2,4,5,c)
- Clear job standards & expectations (5,d,f)
- Employee participation (1,3,5,c,d,e)
- Managerial support (1,2,3,4)

I Employee Commitment, Characterized by:
1. Organizational goal support
2. Increased job effort & performance
3. Increased involvement & investment
4. Increased attendance & promptness
5. Increased retention & tenure

II Psychological / Organizational Climate
a. Conflict & ambiguity
b. Job challenge, importance & variety
c. Leader facilitation & support
d. Work-group cooperation, friendliness & warmth
e. Professional & organizational esprit
f. Job standards

diagnostic and guidance tool. It should be noted, however, that tenure may backfire here where long-term employees see past appraisals as capricious and unfair.

The instrumentality of appraisal systems can be facilitated to some extent by increased job performance (#2) and attendance (#4) where such behaviors are followed by the receipt of rewards. As we noted above, increased effort toward job performance and increased attendance are characteristics of highly committed employees. Employee tenure (#5) may also affect instrumentality to the extent that seniority influences appraisal reviews.

Job standards and expectations may be influenced to some degree by increased employee retention and tenure (#5). That is, the longer employees remain on the job, the more likely they are to learn what is required and important and what the supervisor is "looking for" on the job.

Participation in the design and implementation of appraisals can be influenced at least in part by a combination of increased identification with organizational objectives (#1), increased social involvement and investment (#3), and increased tenure (#5). That is, the more employees see the goals of the organization as important, the more likely they are to think it worthwhile to invest time and energy in making things work. Likewise, the more socially involved employees are and the longer they have been with the organization, the more likely they should be to want to become involved in the activities surrounding the appraisal system.

Finally, managerial support of the system is clearly a function of management attitudes and opinions surrounding the utility of such systems. Even so, in an indirect way, employee commitment may influence such support in cases where management is convinced that employees are genuinely interested in helping

management and the organization succeed. This may be brought about to some extent where management is convinced that the majority of the employees clearly identify with organizational goals and values (#1) and where high social contacts exist between managers and employees (#3). In a negative way, managerial support may also be enhanced where managers see low commitment levels characterized by poor performance (#2) and attendance (#4). In such cases, support for appraisal systems may be based more on a felt need for increased contact systems than on a belief in the more positive aspects of such systems.

In summary, while we clearly do not wish to suggest a direct or even overly strong relationship between employee commitment and facilitating conditions, it does appear that a good case can be made that commitment and its consequences can influence many of the conditions that are believed to lead to effective appraisal systems.

Role of Organizational Climate

We now turn to the last major variable in our model: organizational climate. The topic of climate has received widespread attention in recent years as researchers search for optimal working conditions both in terms of productivity and quality of working life. To date, however, no attention has been given to the role played by climate in performance appraisal systems.

Arriving at an acceptable definition of climate is no easy matter. It has been argued by Jones and James (1979) that it is important to distinguish between psychological climate and organizational climate. Psychological climate represents the meaning an individual attaches to the work context, while organizational climate represents the organization-wide aggregation of that meaning. We do not wish here to enter into this definitional frey. Nor do we wish to depart from the major theme of this paper and discuss competing

models of climate. Rather, we will refer to psychological and organizational climate in a rather general sense and define it for our purposes as the perceived properties or characteristics found in the work environment that result from actions taken consciously or unconsciously by an organization and that presumably affect subsequent behavior (Steers, 1977). In other words, climate may be thought of as the "personality" of an organization as seen by its members.

Climate is clearly viewed as a multidimensional phenomenon (Schneider, 1981). Unfortunately, little agreement exists among climate researchers concerning which dimensions either exist or are most useful for purposes of organizational analysis. For our purposes here, we shall adopt the six dimensions developed by Jones and James (1979). Although other approaches could be used, this particular set of dimensions appears to us to have a more rigorous psychometric foundation. Even so, we should caution that in our judgment the construct validity of this and other approaches is somewhat suspect. The dimensions are not seen as being totally independent from one another and the true structural integrity of the various dimensions remains to be established. Even so, we feel this particular approach is more tenable than the more a priori dimensions identified by others. As such, it will be used here for purposes of analysis.

The six dimensions suggested by the research of Jones and James (1979) are as follows: 1) conflict and ambiguity; 2) job challenge, importance, and variety; 3) leader facilitation and support; 4) work-group cooperation, friendliness, and warmth; 5) professional and organizational esprit; and 6) job standards. Definitions of each of these dimensions are provided in Exhibit 2.

Insert Exhibit 2 About Here

Exhibit 2.   Six Dimensions of Psychological/Organizational Climate
             (after Jones & James, 1979)

a. <u>Conflict and ambiguity</u> — Perceived conflict in organizational goals and objectives, combined with ambiguity of organizational structure and roles, a lack of interdepartmental cooperation, and poor communication from management. Also included here are poor planning, inefficient job design, a lack of awareness of employee needs and problems, and a lack of fairness and objectivity of the reward process.

b. <u>Job challenge, importance, and variety</u> — Extent to which job is seen as challenging, important, and involving a variety of duties, including dealing with people. Autonomy, feedback, and high standards of quality and performance are also included here.

c. <u>Leader facilitation and support</u> — Reflects perceived leader behavior such as the extent to which a leader is seen as helping to accomplish work goals by means of scheduling activities, planning, etc., as well as the extent to which he or she is seen as facilitating interpersonal relationships and providing personal support.

d. <u>Work group cooperation; friendliness, and warmth</u> — Perceived relationships among group members and their pride in the work group.

e. <u>Professional and organizational esprit</u> — Perceived external image and desirable growth potential offered by the job and organization. Also included here are perceptions of the extent to which an open atmosphere exists in which to express one's feelings and thoughts, confidence in the leader, and consistently applied organizational policies.

f. <u>Job standards</u> — Reflects degree to which job is seen as having rigid standards of quality and accuracy, combined with inadequate time, manpower, training, and resources to complete the task. Also included here are a perceived lack of confidence and trust by supervisors and management personnel.

Based on this, how would we expect variations in psychological/organizational climate to influence those conditions that facilitate effective appraisal conditions? In the absence of much in the way of empirical data, we can speculate as follows: (These relationships are summarized in Exhibit 1.)

To begin with, we would argue that communication patterns and openness between superiors and subordinates could be influenced in no small way by a climate characterized by low interpersonal conflict (#a in Box II of Exhibit 1). Moreover, such communication could also be improved where leader facilitation and support (#c) and work-group cooperation, friendliness, and warmth (#d) are both high. And finally, where a professional esprit (#e) exists where employees feel that the atmosphere is receptive to being open in one's expression, we would again expect improved two-way communication (Porter & Roberts, 1976; Rogers & Rogers, 1976).

In order for the legitimacy of a performance appraisal system to be increased, we would argue that a climate characterized by high leader facilitation and support (#c) and strong professional and organizational esprit (#e) would be helpful (House & Baetz, 1979). Under such a climate, many employees may come to feel that management and professional norms clearly support the appraisal system.

The instrumentality of the appraisal system, our third facilitating condition, may be influenced to some extent by a climate that includes leader facilitation and support (#c). Under such a climate, employees are more like to feel that superior performance is not only expected but that supervisors and managers will take an active role in tying performance to desired rewards (Porter & Lawler, 1968; House & Baetz, 1979).

It seems logical to conclude that a climate characterized by clear job standards (#f) — where employees know what is expected of them — would facilitate effective performance appraisals by clarifying managerial expectations on the job (March & Simon, 1958). Job expectations could also be influenced in some instances where work-groups are characterized by warmth and mutual support (#d).

The fifth facilitating condition, employee participation in the appraisal process, may be brought about by three of the climate dimensions. These are leader facilitation and support (#c), work group cooperation, friendliness, and warmth (#d), and professional/organizational esprit (#e). That is, we would expect the atmosphere to be more conducive to employee participation when managers are clearly supportive of employees and show an interest in their views, when work groups show a genuine desire to get involved, and when the professional norms of the workplace support candor and open expression of one's opinions and feelings. Without such a climate, employees may be far more reticient to make input into the process for fear of reprisal either from the manager or the work group.

Finally, managerial support, the sixth facilitating condition, may be largely unaffected by organizational climate. One could suggest that where managers sense that employees demonstrate high job standards and professional esprit, they would be more likely to support the appraisal process, but this is a tenuous argument at best. It is far more likely that the causal arrow goes in the other direction; that is, when employees feel that management strongly supports the system, changes in the climate result that facilitate increased effort and performance. In any event, it is clear that managerial support is essential in order for an appraisal system to function effectively.

While it is difficult to generalize, we should recognize that the type
of organization (private, public, military, etc.) as well as the size of
the organization (small, medium or large) can influence both the climate
and its effects on facilitating conditions. For instance, military organi-
zations or large public bureaucracies may have more specific job standards
than the more loosely coupled large corporation. As a result, a climate
is created in which most members know precisely what their responsibilities
are. In contrast, many large corporations intentionally blur job standards
to "see what an employee can make out of the job." Such a practice in the
military would possibly incur censure rather than praise in view of the dif-
ferent missions of both organizations.

Similarly, consider the issue of organization size. In a newly formed
and small company, work group cooperation, friendliness, and warmth may be
quite high as employees enjoy the excitement of a relatively small group
of individuals tackling a new challenge. In a major established corporation,
on the other hand, work roles may have become much more formalized and distant
and employees may come to place more emphasis on seniority and status rela-
tionships. As a result, communication patterns and the extent or willingness
of employee participation may vary accordingly. The point here, then, is
that factors such as organization type or size may impinge on the model and
should be recognized as potentially important variables in the study of climate
and appraisal systems.

Is the Relationship Reciprocal?

Having considered on a speculative level how commitment and climate influence the appraisal process, it is logical to ask, in turn, how the appraisal process influences commitment and climate. To be more specific, if an organization emphasizes evaluation, guidance and development, and motivation as organizationally-desired outcomes from the appraisal system, what effect does this have on commitment and climate?

Available studies focusing on antecedents of employee commitment to organizations suggest that commitment is influenced by at least four sets of factors: 1) personal characteristics, such as education and achievement motivation; 2) role-related characteristics, such as job scope and role conflict and ambiguity; 3) structural characteristics, such as formalization and decentralization; and 4) work experiences, such as organizational dependability, personal importance to the organization, met expectations, perceived pay equity, and positive attitudes toward the organization (Morris & Steers, 1980; Steers, 1977 ; Mowday et al., 1982).

Following from this, it is logical to conclude that the results of a performance appraisal system have the potential to influence commitment at least to some degree. In particular, where employees believe that the evaluation process was carried out in a fair and equitable fashion, their commitment should be enhanced. On the contrary, where employees see their evaluations as capricious or biased, commitment to the organizaion should be reduced. Moreover, to the extent that the appraisal is seen by employees as facilitating their professional growth and development, the greater the possibility that employees will reciprocate with a positive attitude toward the organization. Providing such guidance and development tells the employees that they are im-

portant enough for the organization to invest time and effort in. Finally,
if the appraisal system is successful in increasing employee motivation, this
too may influence commitment by activating an employee's achievement motive
(Steers, 1977). Hence, while it should be emphasized that we clearly would
not expect a direct appraisal-commitment relationship, we would argue none-
theless that an effective appraisal process would represent a positive influ-
ence on the development of employee commitment to the organization.

Turning finally to the topic of organizational climate, we would make
the same argument that a reciprocal relationship exists between appraisal sys-
tem outcomes and climate. First, the extent to which the appraisal system is
seen as fair and equitable should have a bearing on 1) reducing conflict and
ambiguity, 2) enhancing the stature of those in leadership positions, and 3)
reinforcing professional esprit and job standards. Moreover, where employees
see the organization as truly concerned about using appraisal systems for
guidance and development, climate factors such as job challenge and impor-
tance and job standards could be influenced in a positive fashion. Finally,
to the extent that the appraisal system leads to increased employee motivation,
job challenge, work group cooperation, professional esprit, and job standards
should be enhanced.

Closing Remarks

Hence, again it would appear that performance appraisal outcomes do in-
deed have a reciprocal relationship with climate and commitment, although
this relationship may be of modest proportion. Clearly other factors influ-
ence these relationships. Even so, we feel that based on available evidence,
a sufficient case is made to establish the importance of considering employee

commitment and organizational climate in the design and implementation of appraisal systems. By clearly recognizing not only the desired goals of such systems and their facilitating conditions but also how such systems are influenced by commitment and climate, we should be in a position to develop appraisal systems that prove more effective over the long run in facilitating both employee and organizational goal attainment.

In closing, on a more general note, we wish to voice our support for the rationale behind this conference. The topics and scope of the present conference represent a healthy sign. We feel that it is timely and appropriate that our field expand its research emphasis from focusing primarily on the reliability and validity of our measurement devices to a broader "systems approach" to performance appraisal. This is not to imply that investigating the psychometric properties of performance instruments is unimportant. On the contrary, we feel that establishing the reliability and validity of performance measures is critical for the appraisal system. We simply wish to state our belief that performance measurement and appraisal systems can be better understood if we consider the context with which these phenomena occur. In short, performance measurement should be viewed as part of a appraisal sys-tem and we should clearly appreciate the context within which the system is embedded. In this way, we think that one more step is taken toward improving both productivity and the quality of working life in organizational settings.

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